



2011

FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL VERIFICATION REPORT*

COMPANY: Crocs, Inc.
COUNTRY: China
FACTORY CODE: 560015152HV
MONITOR: Verite
AUDIT DATE: July 26, 2011
PRODUCTS: Plastics
PROCESSES: Injection, Spraying, Gluing,
Assembly
NUMBER OF WORKERS: 340

*To read the original IEM report of this factory, please visit the FLA website [here](#).
For an explanation on how to read this report, please visit the FLA website [here](#).



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Wages, Benefits and Overtime Compensation: Holidays, Leave, Legal Benefits and Bonuses

WBOT.5 Employers shall provide all legally mandated holidays, leave, benefits and bonuses, such as official holidays, annual leave, sick leave, severance payments and 13th month payments, to all eligible workers within legally defined time periods. In addition, all leave and bonuses shall be calculated correctly. (S)

Noncompliance

Explanation: 1. Based on the review of the social insurance contribution records, it was noted that 334 workers were covered under work related injury, 5 workers under medical insurance, 4 workers under unemployment and 5 workers under childbearing insurance. In addition, the factory has obtained a waiver from the local social bureau.

2. Due to the inconsistencies noted between time and payment records and other information and records obtained during the audit, workers' actual working hours, wages and benefits status could not be accurately verified.

Legal References: Article 51, 45, 73 and 62 of PRC Labor Law

Plan Of Action:

1. The factory should be in compliance with China legal requirements regarding social compliance.
2. Factory should record the working hours, pay wages to the employees and ensure the records are accurate.
3. We have reviewed the social insurance records and the waiver. The factory is in compliance with local requirements in social insurance. Besides, most of the interviewed employees are not willing to pay money to social security. Currently, as we know, local government is working on the increase of the participation of social security. Factory will follow the local requirements and increase the participation percentage yearly and it does take time.

4. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours on the provided time cards. According to our interviews and investigation, there are extra overtime work time cards, yet it rarely happened. We require that the factory should record all the working hours in one set of time cards. The factory will record all the working hours on one set of time cards. We have brought this to factory management, production manager and HR and all of them have come into common agreement that all the working hours should be recorded in one set of time cards.

Deadline 06/30/2010
Date:

Supplier
CAP:

Supplier
CAP Date:

Action
Taken:

Plan No
Complete:

Plan 08/31/2011
Complete
Date:

Action No
Verified:

Action Ongoing: that all 225 workers have enrolled in work-related injury and medical
Verified insurance of the social insurance; 15 workers enrolled in retirement insurance; 1
Text: worker enrolled in unemployment and childbearing insurance. The factory has obtained
waiver from local government, which stated that the factory has met the local legal
requirements on social insurance. The factory has requested waiver for not
participating in retirement insurance temporarily from the government and the request
has been approved by local government. However, the "waiver" applied by the factory
falls short of the new Social Insurance Law and the FLA requirement.



2.Completed: Reviewing benefit policies, time off request applications, payroll records found that the factory provided paid annual leave, maternity leave, marital leave, and paid sick day to workers; the factory policies of paid leave are in compliance with the legal requirement. Workers' interview confirmed this information.

**Action
Verified
Date:** 07/26/2011

Follow-Up Update November 6, 2012:

**Plan of
Action:**

- 1.Crocs social compliance team will check factory purchasing social insurance status
- 2.Crocs social compliance team will negotiate with factory to discuss how to ensure all of workers to purchase insurance.
- 3.Crocs social compliance team will suggest factory to provide related insurance training to workers to enhance their consciousness
4. Factory management need negotiate with all workers to decide whether purchase all retirement/bearing/ unemployment insurance.

Update February 21, 2013:

Factory has provided trainings to workers. Crocs will requires factory to increase the participation percentage of social insurance.

Wages, Benefits and Overtime Compensation: General Compliance Wages, Benefits and Overtime Compensation

WBOT.1 Employers shall comply with all local laws, regulations and procedures concerning the payment of wages and benefits, including overtime compensation. In any case where laws and the FLA Code are contradictory, the standard that provides the greatest protection for workers shall apply. Where provisions are lacking, employers shall take measures to reasonably accommodate matters concerning the payments of wages and benefits, including overtime compensation. (S)

Noncompliance

Explanation: Based on the review of the provided time and payment record, it was noted that most of the workers were arranged with one shift schedule in between 8:00 to 12:00 and 13:30 to 17:30. Three hours of evening overtime in between 18:30 to 21:30 were also arranged. The usual workweek was from Monday to Friday with Saturday overtime required on a frequent basis. Auditors noted that the time and payment presented various inconsistencies with the other information and records obtained; auditors were therefore unable to accurately verify the actual wages and benefits status at the facility. In addition, some workers reported that they were only paid on piece rate basis and no overtime premium was provided during the overtime hours as stipulated by law.

Legal reference: Article 48 & 44 of PRC Labor Law

Plan Of Action:

According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours on time cards. We require that the factory should record all the working hours on time cards. Factory will record all the working hours. For the piece rate issues, the factory was on a trial of wage reform. Few employees were paid by piece rate. The factory would compare the piece rate earning and the wage calculated based on working hours. The employees would be paid whichever was higher. Therefore, overtime wage is paid to the piece rate employees. The facility should provide training to the employee regarding the wage method to avoid such misunderstanding.

Deadline [11/30/2009](#)
Date:

Supplier
CAP:

Supplier
CAP Date:

Action
Taken:

Plan [Yes](#)
Complete:

Plan
Complete
Date:

Action [No](#)
Verified:

Action [Completed:](#) Auditors found that the working hours and wages were recorded accurately
Verified and the minimum wage, normal work compensation, OT compensation are provided to
Text: workers in accordance with the law

Action [07/26/2011](#)
Verified
Date:

Wages, Benefits and Overtime Compensation: Minimum Wage

WBOT.2 Employers shall pay workers at least the legal minimum wage or the prevailing industry wage, whichever is higher. (S)

Noncompliance

Explanation: Due to the inconsistencies noted between time & payment records provided and other information and records obtained during the audit, the time and payment records were unreliable. Auditors were unable to accurately verify workers actual wages status at the facility.

Legal reference: Article 48 of PRC Labor Law

Plan Of Action: Factory should record the working hours, pay wages to the employees and ensure the records are accurate. We will investigate the issue. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in time cards. We require that the factory should record all the working hours in time cards. The factory will record all the working hours.

Deadline Date: 11/30/2009

Supplier CAP:

Action Taken:

Plan Complete: Yes

Plan Complete Date:



**Action
Verified:** No

**Action
Verified
Text:** Completed: Auditors found that the working hours and wages were recorded accurately and the calculation basis satisfied the requirements of the law.

**Action
Verified
Date:** 07/26/2011

Wages, Benefits and Overtime Compensation: Calculation Basis for Overtime Payments

WBOT.8 Employers shall compensate workers for all hours worked. For workers on a piece rate payment scheme or any other incentive scheme, payments for overtime hours worked shall be calculated by applying the premium rate required by law or this Code on the same payment scheme as is used for calculating wages for normal working hours, unless the payment scheme used leads to higher wages for workers. (S)

Noncompliance

Explanation: Due to the inconsistencies noted between the time and payment records and other information and records obtained during the audit, auditors were unable to accurately verify workers' actual working hours and wages status at the facility. In addition, some workers reported that they were paid on piece rate only and no overtime premium was paid to them during the overtime hours.

Legal reference: Article 44 of PRC Labor Law

**Plan Of
Action:**

1. Meet with factory management and discuss a corrective plan, which highlights that the factory should record the working hours, pay wages to the employees and ensure the records are accurate.
2. Follow up the corrective action. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in time cards. We require factory should record all the working hours in time cards. Factory will record all the working hours. For the piece rate issues, the factory was on a trial of wage reform. Few employees were paid by piece rate. The factory would compare the piece rate earning and the wage calculated based on working hours. The employees would be paid whichever was higher. Therefore, overtime wage is paid to the piece rate employees. The facility should provide training to the employee regarding the wage method to avoid such misunderstanding.

**Deadline
Date:** 11/30/2009

**Supplier
CAP:**

**Supplier
CAP Date:**

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:** 08/31/2011

**Action
Verified:** No

**Action
Verified
Text:** Auditors found that the working hours and wages were recorded accurately and the calculation basis satisfied the requirements of the law.

Wages, Benefits and Overtime Compensation: Premium/Overtime Compensation

WBOT.10 The factory shall comply with all applicable laws, regulations and procedures governing the payment of premium rates for work on holidays, rest days, and overtime. (S)

Noncompliance

Explanation: Due to the inconsistencies noted between the time and payment records and other information and records obtained during the audit, auditors were unable to accurately verify workers' actual working hours and wages status at the facility. In addition, some workers reported that they were paid on piece rate only and no overtime premium was paid to them during the overtime hours.

Legal Reference: Article 44 of PRC Labor Law

Plan Of Action: Factory should record the working hours, pay wages to the employees and ensure the records are accurate. We will investigate the issue. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in time cards. We require factory should record all the working hours in time cards. Factory will record all the working hours. For the piece rate issues, the factory was on a trial of wage reform. Few employees were paid by piece rate. The factory would compare the piece rate earning and the wage calculated based on working hours. The employees would be paid whichever was higher. Therefore, overtime wage is paid to the piece rate employees. The facility should provide training to the employee regarding the wage method to avoid such misunderstanding.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Completed: Auditors found that the working hours and wages were recorded accurately and the calculation basis satisfied the requirements of the law. The labor contracts signed by workers and the factory indicated that all workers are paid by hourly rate. Auditors found that the factory made records of piece rate wage of workers, then the factory compared the piece rate wage with hourly rate wage, and paid the amount whichever was higher.

For example, if a worker's hourly rate wage is 2000RMB (including overtime wage) and his piece rate wage is 2100RMB, the factory will pay the worker 2100RMB; if the worker's piece rate wage is 1900RMB, the factory will pay the worker 2000RMB. Payroll documents indicated that the calculation of overtime wage conformed to the legal requirement.

**Action
Verified
Date:** 07/26/2011

Wages, Benefits and Overtime Compensation: False Payroll Records

WBOT.19 Employers shall not use hidden or multiple payroll records in order to hide overtime, to falsely demonstrate hourly wages, or for any other fraudulent reason. Payroll records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Based on the review of the provided time and payment records, it was noted that most of the workers were arranged with one shift schedule in between 8:00 to 12:00, 13:30 to 17:30. Three hours of evening overtime in between 18:30 to 21:30 was arranged, the usual workweek was from Monday to Friday and Saturday overtime was required on a frequent basis. Auditors noted that the time and payment presented various inconsistencies with the other information and records obtained, auditors were therefore unable to accurately verify the actual wages and benefits status at the facility.

Legal reference: Article 44 & 48 of PRC Labor Law

Plan Of Action: Factory should record the working hours, pay wages to the employees and ensure the records are accurate. We will investigate. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in time cards. We require that the factory should record all the working hours in time cards. Factory will record all the working hours. For the piece rate issues, the factory was on a trial of wage reform. Few employees were paid by piece rate. The factory would compare the piece rate earning and the wage calculated based on working hours. The employees would be paid whichever was higher. Therefore, overtime wage is paid to the piece rate employees. The facility should provide training to the employee regarding the wage method to avoid such misunderstanding.

Deadline [11/30/2009](#)
Date:

Supplier
CAP:

Supplier
CAP Date:

Action
Taken:

Plan [Yes](#)
Complete:

Plan
Complete
Date:

Action [No](#)
Verified:

Action [Completed:](#) Auditors found that the documents and records provided by the factory are
Verified [accurate.](#)
Text:

Wages, Benefits and Overtime Compensation: Record Maintenance

WBOT.21 Employers shall ensure that all legally required payroll documents, journals and reports are available, complete, accurate and up-to-date. (P)

Noncompliance

Explanation: The factory did not maintain the payment records for some workers who had resigned.

Legal reference: Article 6 of Provisional Regulations for the Payment of Wages of LMI [1994] No. 489, PRC)

Plan Of Action: Factory should maintain all the wage records. The former HR supervisor resigned before the audit and some wage records of the resigned employees were lost. The factory kept all the records of resigned employees afterwards.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

**Action
Verified:** No

**Action
Verified
Text:** [Ongoing: The factory provided resignation records for the last 3 months to auditors. The management reported that the factory only kept workers' resignation records for 3 months.](#)

[Update Nov. 6 2012](#)

1.Crocs social compliance team will supervise factory human employee system, and require factory to keep personal file and labor contract over 2 years;

2.Crocs social compliance will unannounced visit factory to survey their hiring system status; Desired completion date Sept.1, 2011 No comment to it.

[Update Feb. 21, 2013:](#)

The facility kept the resignation records and provided for review for over 3 months currently.

**Action
Verified
Date:** 07/26/2011

Forced Labor: General Compliance Forced Labor

F.1 Employers shall comply with all local laws, regulations and procedures concerning the prohibition of forced labor. (S)

Noncompliance

Explanation: New Finding: The factory did not sign labor contract with 16 new workers within one month after hiring. For instance, there is one worker who's entered the factory on May 5th, 2011, but the worker only signed the labor contract, the factory has not signed the contract up to the date of this audit.

Plan Of Action:

- 1.Crocs social compliance team will require factory sign labor contract with these 16 new workers ASAP.
- 2.Crocs social compliance team will supervise factory sign labor contract with new workers within one month after hiring;
- 3.Crocs social compliance team will require factory management to check labor contract signature issue by month; 4.Crocs social compliance team will conduct audit to verify whether the CAP is fully implemented.

Deadline Date: 08/31/2011

Supplier CAP:

Supplier CAP Date:

Action Taken:

- 1.Crocs social compliance team will supervise factory human employee system, and require factory resign labor contract with workers if labor contracts were expired.
- 2.Crocs social compliance will unannounced visit factory to survey their hiring system status; Crocs arrange an internal audit in *factory name* on June 21,2012. This finding was not found and can be considered remediated.

Plan Yes
Complete:

Plan 08/02/2011
Complete
Date:

Action No
Verified:

Action
Verified
Text:

Action
Verified
Date:

Forced Labor: Worker Ability to Terminate/Freedom of Movement

F.13 Employers shall not utilize practices that restrict a workers' ability to terminate his or her employment or freedom of movement. Examples of such practices include, but are not limited to: (the threat of) physical or mental coercion; requiring deposits; imposing financial penalties; requiring recruitment fees; setting production targets or piece rates at such a level that workers need to work beyond normal working hours (excluding overtime) as set under the FLA Code in order to make the legal minimum wage or the prevailing industry wage; and denying and hampering access to, and renewal of, identity papers and/or work permits or any other personal legal (identification) documents. (S)

Noncompliance

Explanation: Based on the review of the resignation records provided, it was noted that there was a worker who was not allowed to leave the factory until a replacement was hired, even though this worker had gone through the normal resignation process.

Plan Of Action: All workers should be free to resign from the factory. No forced labor is allowed.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken: According to our investigation, forced labor is prohibited in the factory. In the peak season, there was one production supervisor who asked the worker to find a replacement before resigning. This is against the factory policy. The factory prohibited the practice immediately. The anti-forced labor policy was communicated to all the employees.

**Plan
Complete:** [Yes](#)

**Plan
Complete
Date:** [11/30/2009](#)

**Action
Verified:** [No](#)

**Action
Verified
Text:** [Completed:](#) Document review and workers' interview indicated that the factory does not have restrictions on workers who want to leave the factory.

**Action
Verified
Date:** [07/26/2011](#)

Freedom of Association: Right to Freely Associate

FOA.2 Workers, without distinction whatsoever, shall have the right to establish and, subject only to the rules of the organization concerned, to join organizations of their own choosing without previous authorization. The right to freedom of association begins at the time that a worker seeks employment, and continues through the course of employment, including eventual termination of employment, and is applicable as well to unemployed and retired workers. (S)

Noncompliance

Explanation: [FLA Comment:](#) The Chinese constitution guarantees Freedom of Association (FOA); however, the Trade Union Act prevents the establishment of trade unions independent of the sole official trade union - the All China Federation of Trade Unions (ACFTU). According to the ILO, many provisions of the Trade Union Act are contrary to the fundamental principles of FOA, including the non-recognition of the right to strike. As a consequence, all factories in China fall short of the ILO standards on the right to organize and bargain collectively. However, the government has introduced new regulations that could improve the functioning of the labor relations mechanisms. The Amended Trade Union Act of Oct. 2001 stipulates that union committees have to be democratically elected at members' assemblies and trade unions must be accountable to their members. The trade union has the responsibility to consult with management on key issues of importance to their members and to sign collective agreements. Trade unions also have an enhanced role in dispute resolution. In Dec. 2003, the Collective Contracts Decree introduced the obligation for representative trade unions and employers to negotiate collective agreements, in contrast to the previous system of non-negotiated administrative agreements.

**Plan Of
Action:**

1. The factory should be in compliance with the local legal requirements.
2. Provide orientation training to the employees.
3. The employees can associate according to the local law. They can also express their opinions legally.

**Deadline
Date:** 11/30/2009

**Supplier
CAP:**

**Supplier
CAP Date:**

**Action
Taken:** [Update November 6, 2012:](#)

1.Crocs social compliance team will discuss this issue with factory top management.

2.Crocs social compliance team will provide relevant law training to factory management and workers. 3.Crocs social compliance team will require factory to comply related law if they need set up union. Desired completion date: Sept.1, 2011
Crocs arrange an ITS audit in *factory name* on June 21,2012, this finding was not found, is closed.

[Update February 21, 2013:](#)

There are worker representatives in the factory. Workers selected these people. Meetings were conducted for worker representative issues and documents are maintained for review.

**Plan
Complete:** [No](#)

**Plan
Complete
Date:** [11/30/2009](#)

**Action
Verified:** [No](#)

Action Verified Text: [Pending: Employees can associate according to local law and can also express opinions legally.](#)

Action Verified Date: [07/26/2011](#)

Harassment or Abuse: Discipline/Monetary Fines and Penalties

H&A.8 Employers shall not use monetary fines and penalties as a means to maintain labor discipline, including for poor performance or for violating company rules, regulations, and policies. (S)

Noncompliance

Explanation: [Various kinds of monetary fines were imposed on workers. For instance, the fines of RMB 20 to RMB 200 were imposed on workers who breached the factory rules.](#)

Plan Of Action: [No disciplinary deduction should be implemented. Stop the disciplinary deduction practice. Establish disciplinary rules that only include oral and written warnings. Communicate the rules to all employees.](#)

Deadline Date: [11/30/2009](#)

Supplier CAP:

Supplier CAP Date:

Action Taken: According to our policy, monetary punishment is prohibited. Factory also established disciplinary rules that only include oral and written warnings. The factory stopped such practices immediately, as per our requirements.

Plan Complete: Yes

Plan Complete Date: 11/30/2009

Action Verified: No

Action Verified Text: Pending: Based on interviewing workers and management, and reviewing documents, the factory is still using punitive deductions as disciplinary measures, the amount of these deductions are from RMB20 to 50RMB. The “Disciplinary notice”, “Fine collection record”, and the “Internal liaison form” indicated that workers have been issued fines for mistakes at work and violations of factory rules.

1.Crocs social compliance team should ensure that the system that factory will set up to prevent the violation will include the training of the updated policy provided to the staffs and workers.

2.Crocs social compliance team will monitor factory to set up system to prevent related violation happen.

3.Crocs social compliance team will arrange unannounced visit to verify this issue, and we will have workers' interview to get feedback.

4. The regular internal audit should be conducted to check if the CAP is fully implemented. During an internal audit in *factory name* on June 21, 2012, this finding was deemed remediated.

Action Verified Date: 07/26/2011

Non-Discrimination: Recruitment and Employment Practices (Job Advertisements, Job Descriptions, Evaluation Policies)

D.3 Recruitment and employment policies and practices, including job advertisements, job descriptions, and performance/job evaluation policies and practices shall be free from any type of discriminatory bias. (S)

Noncompliance

Explanation: It was noted that the factory job advertisement had put improper restriction on applicants' ages and gender. For instance, advertisement contained that only female workers aged 18 to 25 years old could apply.

Legal reference: Article 12 of PRC Labor Law

Plan Of Action: There should be no discrimination regarding age or gender. Establish a non-discrimination policy. Communicate the policy to all employees.

Deadline Date:

Supplier CAP:

Supplier CAP Date:

Action Taken: According to factory policy, there should be no discrimination regarding age or gender. The age and gender limitation in the ad was against this policy. Factory took off the ad immediately.

Plan Complete: Yes

Plan Complete Date: 11/30/2009

Action
Verified: No

Action
Verified Text: [Pending: The hiring ads posted in the industry zone showed that age and gender limitations are included in the hiring requirements.](#)

Action
Verified Date: [07/26/2011](#)

Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

Noncompliance

Explanation: [During the audit, it was noted that the factory did not provide code of conduct training for the workers.](#)

Plan Of Action:

- [1. Factory should obtain the code of conduct.](#)
- [2. Post the code of conduct.](#)
- [3. Provide training to the workers.](#)

Deadline Date: [11/30/2009](#)

**Supplier
CAP:**

**Supplier
CAP Date:**

Action Taken: Code of conduct was obtained and posted on the work floors. Code of conduct training was conducted with the employees.

Plan Complete: Yes

Plan Complete Date: 11/30/2009

Action Verified: No

Action Verified Text: Pending: The factory did not provide training on client's COC and CSR. Workers' interview indicated that workers have almost no knowledge on CSR requirements.

Update November 2012:

1.Crocs social compliance team will provide COC and CSR training to factory top management first, and suggest management organize training to their workers later.

2.Crocs social compliance team will survey CSR issue with workers during workers interview. This issue was deemed as remediated during an internal audit in June 2012.

Update Feb 21, 2013:

Trainings have been conducted. The factory has provided trainings documents for review. COC has been posted on work floors.

Action Verified Date: 07/26/2011

Health and Safety: General Compliance Health and Safety

H&S.1 Employers shall comply with all local laws, regulations and procedures concerning health and safety. (S)

Noncompliance

Explanation: 1. Factory has yet to provide occupational health checks for workers who are exposed to chemicals or working under the environment with occupational hazard. Nevertheless, the factory provided records to show that they had applied for occupational health check for workers on March 3, 2009 and the authority conducted risk assessment on May 18, 2009.

2. Factory did not state the risk of potential occupational disease on the labor contract of workers who were handling and exposed to chemicals. New finding from 2011-07-25/26 IEV The factory did not test the air quality in the printing workshop on the fourth floor and the noise level in the workshop on the third floor.

Legal references: Article 32 of Law of the People's Republic of China on Prevention and Control of Occupational Diseases), Article 15 of Regulations on Safety in Workplaces Where Chemicals Are Used, Article 54 of China Labor Law. Article 30 of Law of the People's Republic of China on Prevention and Control of Occupational Diseases

Plan Of Action: 1. Factory should provide occupational health checks for workers who are exposed to chemicals or working under the environment with occupational hazard.

2. Factory should state the risk of potential occupational disease on the labor contract of workers who are handling and exposed to chemicals.

Deadline Date: 11/30/2009

Supplier CAP:

**Supplier
CAP Date:**

**Action
Taken:** 1. The factory had applied for an occupational health check for workers. The authority conducted a risk assessment on May 18, 2009 according to the local requirements. Each employee will be provided a health check.

2. The factory stated the risk of potential occupational disease on the labor contract of workers who were handling and exposed to chemicals afterwards.

**Plan
Complete:**

No

**Plan
Complete
Date:**

11/30/2009

**Action
Verified:**

No

**Action
Verified
Text:**

1. Ongoing: Based on documents review and management interview, the factory has 11 workers who's exposed to hazardous chemicals, but only 3 out of 11 workers has been provided with occupational disease check up; there are workers who are working in a dusty environment and the factory did not provide occupational disease check up to these workers.

2. Pending: Based on management interview, the factory did not state risk of potential occupational disease on labor contract of workers who were handling and exposed to chemicals

Update November 2012:

1. The factory management should add this term "occupational disease check and statement of risk of potential occupational disease" in labor contract

2. Company suggest factory should provide occupational health checks for workers who are exposed to chemicals or working under the environment with occupational hazard.

Update February 21, 2013:

Factory has provided health checks for workers. Documents were available for review.

Action 07/26/2011
Verified
Date:

Health and Safety: Safety Equipment and First Aid Training

H&S.10 All safety and medical equipment (such as fire fighting equipment, first aid kits, etc.) shall be available in sufficient numbers throughout the factory, maintained and stocked as prescribed and easily accessible to workers. A sufficient number of workers shall be trained in first aid and fire fighting techniques. (S)

Noncompliance

Explanation: During the factory tour, it was noted that some fire extinguishers were blocked.

[Legal reference:](#) Article 21 of Fire Prevention Law of the People's Republic of China

Plan Of Action: Fire equipment should be clear of obstacles. Security guards periodically check all fire extinguishers. The workers are trained regarding awareness in this respect.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

**Action
Taken:**

**Plan
Complete:** Yes

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing: Auditors found one fire distinguisher obstructed by the door in paint mixing room on the third floor.

Update November 2012

1.Factory should keep fire extinguishers unblocked.

2.Factory need check fire facility condition by month and keep record. CROCS arranged an internal audit of *factory name* on June 21, 2012. This finding was remediated.

**Action
Verified
Date:** 07/26/2011

Health and Safety: Personal Protective Equipment

H&S.11 Workers shall be provided with effective and all necessary personal protective equipment (such as gloves, eye protection, hearing protection, respiratory protection, etc.) to prevent unsafe exposure (such as inhalation or contact with solvent vapors, noise, dust, etc.) to health and safety hazards, including medical waste. (S)

Noncompliance

Explanation: During the audit, it was noted that most of the workers were not wearing protective masks while handling chemicals. Workers were also not wearing earplugs in high noise environments, such as the material shredding area. Potential root cause is that workers are lacking awareness and training in this respect.

Legal reference: Article 37 of PRC Safety Manufacturing Law

Plan Of Action: Workers were trained regarding PPE uses. Notices of the importance of using PPE were posted on the work floors. Line leader should enforce the use of PPE.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: No

Plan Complete Date:

**Action
Verified:** No

**Action
Verified
Text:** Ongoing: Workers at crush plastic were wearing health gauze masks instead of dust protecting masks; The operators of spraying PU paint and printing were not wearing respirators; The factory did not provide protective gloves to workers in printing section; The workshop on the third floor have health hazard of noise, but the factory did not provide earplugs to workers in this workshop.

**Action
Verified
Date:** 07/26/2011

**Follow-Up
Plan of
Action:**

- 1.Crocs social compliance team will require factory provide correct PPE to workers.
- 2.Crocs social compliance team will provide related training "how to use PPE" to factory management, and suggest factory also provide relevant training to their workers.
- 3.Crocs social compliance team will collect useful information about PPE to factory.
4. Factory should arrange responsible persons/department to keep track of the application of appropriate PPEs.
5. Company will conduct regular audit to ensure that the CAP will be implemented.

Update February 21, 2013:

Factory has provided PPE trainings to workers. Documents were available for review. Workers used PPE during operations.

Health and Safety: Chemical Management and Training

H&S.13 All chemicals and hazardous substances shall be properly labeled and stored in accordance with applicable laws. Labels shall be placed in the local language and the language(s) spoken by workers, if different from the local language. Workers shall receive training, appropriate to their job responsibilities, concerning the hazards, risks and the safe use of chemicals and other hazardous substances. (S)

Noncompliance

Explanation: It was noted that some chemicals were not equipped with secondary containment.

Legal reference: Article 20 of the Regulation For Chemical Usage Safety in Work Place, PRC

Plan Of Action: The factory should provide chemical containers with secondary containment. Provide training to the employees regarding chemical usage. Inspect the chemical containers daily by supervisor.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Pending: At the chemical storage area and areas applying to chemicals in the workshop on the third floor, chemical storage area in the paint mixing room on the fourth floor, and the chemicals storage warehouse, there is no secondary containers installed.

Action Verified Date: 07/26/2011

Follow-Up Plan of Action:

1. Crocs social compliance team will require factory to install secondary containers in chemical storage area to prevent leak issue happen immediately.
2. Crocs social compliance team will require factory send photo after installation.
3. Crocs social compliance team will provide related EHS training for factory, and company need ensure that related responsible staffs assigned by the factory will be provided with the training.
4. This has been remediated.

Health and Safety: Material Safety Data Sheets/Worker Access and Awareness

H&S.14 Material Safety Data Sheets (MSDS) for all chemicals used in the factory must be available at the usage and storage sites of the chemicals, in the local language and the language(s) spoken by workers, if different from the local language. Workers shall have free access to MSDS. (P)

Noncompliance

Explanation: During the audit, it was noted that no MSDS was posted at some chemical usage and storage areas. Potential root cause was the lack of proper chemical management system at the facility.

Legal reference: Article 12 of Regulation for Safety of Dangerous Chemical, PRC

Plan Of Action: The factory has established a chemical control system. Chemical list was drafted. Related MSDS were collected. They were posted on the related work floors. Chemical trainings were provided to the employees.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: Yes

**Plan
Complete
Date:**

**Action
Verified:** No

**Action
Verified
Text:** Ongoing: Although the factory had prominently posted appropriate MSDS at areas applying to chemicals and chemical storage areas in printing and spraying workshop and chemical storage warehouse. But the factory did not obtain MSDS for Polyvinylchloride resin and Pigment Resin Color used in the color workshop.

**Action
Verified
Date:** 07/26/2011

**Follow-Up
Plan of
Action:**

- 1.Crocs social compliance team will require factory provide correct PPE to workers firstly.
- 2.Crocs social compliance team will provide related training "how to use PPE" to factory management, and suggest factory also provide relevant training to their workers.
- 3.Crocs social compliance team will collect useful information about PPE to factory.
4. Company should require the factory to provide trainings of the MSDS to the related workers who are handling these chemicals.
- 5.Responsible person should be also assigned by the factory to keep track of the posting of the MSDS.
6. Crocs social compliance team will have unannounced visit to check MSDS post issue. This issue was marked as remediated during an internal audit in June 2012.

Health and Safety: Ventilation/Electrical/Facility Installation and Maintenance

H&S.17 All necessary ventilation, plumbing, electrical, noise and lighting services shall be installed and maintained to conform to applicable laws and in such a manner as to prevent or minimize hazardous conditions to workers in the facility. (S)

Noncompliance

Explanation: During the factory tour, it was noted that some electrical panels were blocked.

[Legal reference: Article 4.9 Code for Electricity Safety at the production floor, \(GB/T13869-1992\), PRC](#)

Plan Of Action: Security guards periodically according policy check electrical panels. Employees are being trained in this field. Provide daily inspection.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken:

Plan Complete: Yes

Plan Complete Date:

Action Verified: No

Action Verified Text: Completed: Auditors found there is no electrical panel is being obstructed.

Action Verified Date: 07/26/2011

Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

Noncompliance

Explanation: The factory did not have any ergonomic program in place nor did it provide any related training to workers. It is recommended that the factory should gradually establish an ergonomics program.

Plan Of Action: The factory should establish an ergonomics policy. Training is provided to the employees, so they are aware of the policy. Most of the employees are in production lines, and provided with comfortable chairs when they are working so they do not need to stand all day long. For others who need to stand while working, they can have breaks during working hours.

**Deadline
Date:**

**Supplier
CAP:**

**Supplier
CAP Date:**

**Action
Taken:**

**Plan
Complete:** [No](#)

**Plan
Complete
Date:**

**Action
Verified:** [No](#)

**Action
Verified
Text:** [Pending:](#) Based on interview management, the factory did not have any ergonomic program in place nor did it provide any related training to workers.

**Action
Verified
Date:** [07/26/2011](#)

**Follow-Up
Plan of
Action:**

1. Crocs social compliance team will collect related information to share factory management firstly.
2. Crocs social compliance will push factory to learn some knowledge about this issue.
3. Crocs social compliance team will suggest factory management share this useful information to workers.
4. Company require factory provide useful information and trainings to workers, and factory need make sure that all machines and workplaces are set up according to the ergonomic system.

Update February 21, 2013:

The factory has provided trainings to workers.

Hours of Work: General Compliance Hours of Work

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

Noncompliance

- Explanation:**
1. Due to the inconsistencies noted between time & payment records and the information obtained during the audit, auditors were unable to accurately verify the actual status of workers' hours of work, holiday and leave.
 2. Based on the review of the time record provided, workers monthly overtime was up to 107.5 hours, which exceeded the legal limit of 36 hours a month. In addition, workers' weekly working hours exceeded 60 hours per week, for instance, 66 hours a week. The overtime waiver issued by local labor department was provided for review during the audit.

Legal reference: Article 36, 41 of PRC Labor Law

Plan Of Action:

1. Factory should record the working hours, pay wages to the workers and ensure the records are accurate.
2. Factory should control working hours within the local requirements.
3. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in the provided time cards. According to our interviews and investigation, there are extra overtime work time cards, yet it rarely happened.

The factory should record all the working hours in one set of time cards

1. Discuss with factory management, production manager and HR manager to achieve mutual agreements regarding time records and working hours, benefits and wages.
2. Perform audit each quarter to monitor the improving progress.
3. Reduce order placed to the factory so working hours are controlled.
4. Require factory to train workers on improving production efficiency.

Deadline 11/30/2009
Date:

Supplier
CAP:

Supplier
CAP Date:

Action Taken: In peak season, due to urgent order, overtime hours were excessive, as weekly working hours exceeded 60 hours. To fulfill FLA standards, we have reduced the number of orders sent to the supplier. So, the factory is not as busy as before. Secondary, most of the workers were newly hired at that time and the poor production efficiency resulted in excessive working hours. After training, they are now much more skillful. Moreover, the factory has enrolled more workers. They had applied an overtime waiver from the local labor bureau. The factory had controlled the working hours within 60 hours per week.

1. To improve the long OT hours issue is to verify the root cause of the long OT hours.
2. Based on the root cause, factory need building up schemes that factory will use to control the OT hours progressively, for example: to improve its production planning activities and calculate its production capacity without relying on OT; reinforce the workforce with hiring new workers if necessary; improve productivity for increasing output and quality for avoiding re-works and so on.
3. Based on the root cause, factory need to take action to ensure workers' voluntary OT work such as assigning responsible person to administer the working hour system.
4. Based on the root cause, factory needs to develop verification processes to check up the improvement of these procedures.

**Plan
Complete:** No

**Plan
Complete
Date:** 08/02/2011

**Action
Verified:** No

**Action
Verified:** Ongoing:

Text: 1. The factory has provided accurate working hour records. Auditors reviewed attendance records for last 12 months, the records showed that workers worked 3 hours of overtime on regular days, 8 hours on Saturday and had Sunday off, average weekly working hour is 63 hours, monthly overtime hours were between 60 and 80. The overtime working hours of the factory violates the stringent legal requirement of maximum 36 hours per month.

2. The factory provided approval document issued by local labor department which stated that weekly overtime hours is limited to 60 hours, and shall not exceed 72 hours under special circumstances.

**Action
Verified
Date:** 07/26/2011

Comments:

Hours of Work: Time Recording System

HOW.6 Time worked by all workers, regardless of compensation system, shall be fully documented by time cards or other accurate and reliable recording systems such as electronic swipe cards. Employers are prohibited from maintaining multiple time-keeping systems and/or false records for any fraudulent reason, such as to falsely demonstrate working hours. Time records maintained shall be authentic and accurate. (P)

Noncompliance

Explanation: Auditors noted that the information on time and payment records presented serious discrepancies with various kinds of information obtained during the audit. For instance, various production related records showed that workers were required to work on various Sundays, such as Dec 7, 2008, January 11, 2009, June 14, 2009, May 17, 2009, etc. However, corresponding time and payment records showed they were off on respective days. Despite time and payment records showing workers were only required to work 3 hours overtime at night, various records showed that respective workers were required to work more than 3 hours a night. On some occasions, those hours after 3 hours a night were purposely hidden on the records provided for the audit. In addition, different sets of coaching devices educating workers and supervisors on manipulating the records and providing standard answers to auditors (in order to deceive auditors) were noted. During the on-site and off-site interview, some workers provided information to auditors, which further confirmed the manipulation on the records.

Legal reference: Article 38, 41 and Article 36 of PRC Labor Law

Plan Of Action: Factory should record the working hours, pay wages to the workers and ensure the records are accurate. According to our investigation, the factory will control the working hours according to local law and our requirements. Due to urgent orders in peak season, the production section arranged some overtime work. Even though these overtime wages were fully paid to the employees according to the local law, the factory did not record the hours in the provided time cards. According to our interviews and investigation, there are extra overtime work time cards. Yet it rarely happened. We require that the factory should record all the working hours in one set of time cards. The factory will record all the working hours in one set of time cards. Factory will record all the working hours and ensure the documents are accurate.

Deadline [11/30/2009](#)
Date:

Supplier
CAP:

Supplier
CAP Date:

Action
Taken:

Plan [Yes](#)
Complete:

Plan
Complete
Date:

Action [No](#)
Verified:

Action [Completed: Auditors did not find any inconsistency on documents and workers](#)
Verified [interviews.](#)
Text:

Action [07/26/2011](#)
Verified
Date:

Hours of Work: Overtime/Reduced Mandated Overtime

HOW.8 The employer shall demonstrate a commitment to reduce overtime and to enact a voluntary overtime system, including for overtime mandated to meet extraordinary business circumstances. (P)

Noncompliance

Explanation: Based on the review of the disciplinary records, it was noted that workers would be disciplined for not attending the overtime work without appropriate reason. Workers reported that they sometimes had to complete their quota before they were able to leave the factory.

Plan Of Action:

1. Review the voluntary overtime policy.
2. Communicate the voluntary overtime policy to all employees.
3. Provide training to the employees regarding the policy.

Deadline Date: 11/30/2009

Supplier CAP:

Supplier CAP Date:

Action Taken: According to our investigation, the factory has a voluntary overtime work policy. Employees should apply for overtime work in written forms. If they do not want to conduct overtime work, a written Non-Overtime Work Notice should be provided to the factory. In the above-mentioned case, it was found that some workers did not provide a Non-Overtime Work Notice to the factory, thus the factory took disciplinary action. We have required that the factory should ensure voluntary overtime work. The policy should be implemented. Employees were trained on the policy. In addition, no disciplinary action should be taken if the workers provide Non-Overtime Work Notice.

**Plan
Complete:** [Yes](#)

**Plan
Complete
Date:** [11/30/2009](#)

**Action
Verified:** [No](#)

**Action
Verified
Text:** [Completed:](#) No forced overtime has been found during the IEV audit.

**Action
Verified
Date:** [07/26/2011](#)

Hours of Work: Sick Leave/Restrictions

HOW.20 Employers shall not impose any undue restrictions on sick leave. Any factory restrictions or procedures regarding sick leave, such as informing the employer as soon as possible, the provision of medical certificates, the use of designated doctors or hospitals, etc., must be in line with local laws, regulations and procedures and must be communicated in full to all workers. (S)

Noncompliance

Explanation: The factory did not have written policy on paid sick leave. This policy was not properly communicated to workers.

Legal reference: Article 59 of Opinions on Matters of Carrying out Labour Law of the People's Republic of China of LMI [1995] No. 309

Plan Of 1. Establish sick leave policy.

Action:

2. Paid sick leave should be provided to the employees according to the policy

Deadline 11/30/2009

Date:

Supplier

CAP:

Supplier

CAP Date:

Action Taken: Factory established a written policy on paid sick leave and the policy was communicated to workers. Trainings are provided to employees so they are aware of the policy and will apply for sick leave. Sick leave will be paid and is reflected in the wage record. We will check the records.

Plan Yes

Complete:

Plan

Complete

Date:

Action [No](#)
Verified:

Action [Completed:](#) The factory established policy on paid sick day. Workers' interview indicated
Verified that workers were provided with paid sick days.
Text:

Action [07/26/2011](#)
Verified
Date:
